"Blue Star Ltd. Q1 FY18 Earnings Conference Call"

August 16, 2017

MANAGEMENT: **MR. NEERAJ BASUR – CHIEF FINANCIAL OFFICER, BLUE STAR LIMITED**

Moderator: Ladies and Gentlemen, Good Day and Welcome to Blue Star Ltd. Q1 FY18 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. In case you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Neeraj Basur, Chief Financial Officer. Thank you and over to you, Sir.

Neeraj Basur: Good Evening, Ladies and Gentlemen. This is Neeraj Basur and I will be providing you an overview of the results of Blue Star Ltd. for the quarter ended June 2017.

The following are the financial highlights of the Company for the quarter ended June 30, 2017 on a consolidated basis:

- Total Income for Q1 FY18 was Rs 1473.92 Cr as compared to Rs 1227.96 Cr in Q1 FY17, a growth of 20%.
- EBIDTA for Q1 FY18 was Rs 85.32 Cr as compared to Rs 76.49 Cr in Q1 FY17, a growth of 12%. EBIDTA as a percentage of Total Income reduced to 5.8% in Q1 FY18 from 6.2% in Q1 FY17, largely due to investments in our new Water Purifier division, coupled with the hardening impact of commodity prices over last few months
- Profit before Tax was Rs 76.60 Cr in Q1 FY18 as compared to Rs 64.90 Cr in Q1 FY17, a growth of 18%.
- Tax expense for Q1 FY18 was Rs 18.28 Cr as compared to Rs 14.48 Cr in Q1 FY17. Effective tax rate for Q1 FY18 was 24% as compared to 22% for Q1 FY17
- Consequently, consolidated net profit for Q1 FY18 increased to Rs 56.85 Cr from Rs 51.38 Cr in Q1 FY17, a growth of 11%.
- Carry-forward order book as at June 30, 2017 increased by 13% to Rs. 2010 Cr as compared to Rs. 1776 Cr as at June 30, 2016.
- On a standalone basis, Blue Star limited reported zero debt as on June 30, 2017 as compared with net borrowing of Rs 225 Cr as on June 30, 2016

- Net borrowings for our 100% subsidiary, Blue Star Engineering & Electronics Limited decreased to Rs 47 Cr as on June 30, 2017 from Rs 56 Cr as on June 30, 2016.
- Consolidated capital employed increased to Rs 818.11 Cr as on June 30, 2017 from Rs 684.92 Cr as on June 30, 2016 in line with business volume growth.
- Unallocable expenses (net) reported under segment results increased to Rs. 29.07 Cr for Q1 FY18 from Rs. 15.66 Cr for Q1 FY17. The Unallocable expenses in Q1 FY17 were net of one-time income from temporary investments of corpus from the sale of Blue Star Infotech and also higher interest on income tax refunds last year

From the current quarter, corporate brand and marketing spends have been allocated to reportable segments. Previous period numbers have been regrouped accordingly.

I will now spend time on each of our lines of business and give you both financial as well as operating highlights for the quarter.

Segment-I – Electromechanical Projects and Packaged Air Conditioning Systems revenue increased to Rs 574.83 Cr in Q1 FY18 from Rs 439.59 Cr in Q1 FY17, a growth of 31%. The segment results grew to Rs 22.50 Cr (3.91%) in Q1 FY18 from Rs 3.13 Cr (0.71%) in Q1 FY17. Order inflow in Q1 FY18 was Rs. 754 Cr as compared to Rs. 586 Cr in Q1 FY17, a growth of 29%.

Overall, the market witnessed modest growth in Q1 FY18 driven mostly by government investments in some large infrastructure projects. Private sector CAPEX continued to be subdued. Order bookings which gained momentum in the previous quarter continued the trend through this quarter on the back of few large value orders.

Growth in Q1FY18 billing is ascribed to execution of higher carried forward order book in select sub segments and increase in demand of goods and supplies by customers ahead of the introduction of GST. The consumption was driven by building segment catering to offices, IT / ITeS sector and health care projects.

While the strategy to focus selectively on profitable and good cash flow projects has started to deliver results, we need to monitor the post GST business environment to assess the timeframe by when the target margin levels will be achieved. This will include project execution speed as well as the accrual of input credits to the entire value chain.

Blue Star continues to invest in smart systems and technology in line with its value proposition of Superior Project Delivery through Intelligent Engineering, Modern Execution practices and committed teams. Blue Star continued to maintain its dominant leadership position in the electrical mechanical space in India. Focus on cash flows coupled with expense control helped improve capital employed efficiency.

Some major orders won during Q1 FY18 included Oberoi Ritz Carlton, My Home Divija, South Asian University, Max Tower, Shiv Nadar University and Tamara Hotel.

Carry-forward order book was Rs. 1972 Cr as at June 30, 2017 as compared to Rs. 1724 Cr as at June 30, 2016, an increase of 14%.

Now, I will talk about Central and Packaged Air Conditioning Systems Business.

In the central plant equipment business, while the market showed some signs of recovery, we have grown faster than the market.

During the quarter, 5th generation VRF systems and new Air Cooled configured Screw Chillers ranging from 100 to 400 HP were launched. The products were launched in Delhi, Chennai, Bangalore and Mumbai which were well received by customers, architects and consultants. During the quarter, VRF products sales grew faster than other products and the market since the energy efficiency and other unique features of this product resonated well with the customers. The unique Mini VRF systems customized for small spaces is gaining growing acceptance. Further, Blue Star continued to maintain a strong foothold as a market leader in the ducted systems category. With the Light Commercial segment continuing to grow, and with the expanded product range, the business outlook for the rest of the year looks positive.

Major orders booked during the quarter were from Indian Oil Corporation, Dr. Lal Path Labs, Harita IT Park, JSW Cements, TCS, Jayadeva Hospital, Jindal, Four Season Inns & Suits, and Chandigarh University

Moving to our international business, Blue Star continued its focus on expanding its product export business. The business witnessed healthy growth in Q1 FY18. Healthy order inflow continued for water coolers, room air conditioners and other applied products such as VRF, AHU & chillers from various distributors and OEM customers. Distribution footprint was further expanded in Q1 FY18 through appointment of 6 new distributors and dealers taking Blue Star's presence to 19 markets internationally. Blue Star has planned an entry strategy for entering Egypt market.

During the quarter, Blue Star received a brand approval from Qatar Design Consortium (QDC) and Consulting Engineering Complex (CEC), Qatar. Further, Blue Star received ESMA Certification for our Tank Chillers and VRF Range of Products for the UAE Market. This certification helps us in compliance for our products, in UAE. Blue Star also received AHRI certification for its Fan coil units.

On the economic outlook, emerging markets of the Gulf Cooperation Council (GCC) countries and Africa remained under pressure. The ongoing sanctions on Qatar by GCC countries have impacted both order inflow and cash flows.

Blue Star M&E Engineering SDN BHD, Malaysia bagged a prestigious project comprising of Air Conditioning & Mechanical Ventilation jobs for the Malaysian Infrastructure conglomerate: YTL Group.

Blue Star continues its journey to strength its brand in select international markets. Blue Star has an aggressive plan to selectively and profitably grow its international business and overall business outlook remain positive.

I will talk about Segment II – Unitary Products now. This segment registered revenue growth of 13%, to Rs 840.37 Cr in Q1 FY18 from Rs 742.44 Cr in Q1 FY17. The segment results remained neutral at Rs 81.81 Cr (9.74%) in Q1 FY18 as compared with Rs 81.66 Cr (11.00%) in Q1 FY17. The results of Unitary Products segment in current year include investment in our new product categories such as water purifiers, air purifiers and air coolers.

Our Room Air-Conditioners business was subdued in Q1, primarily due to GST transition. While summer conditions were favorable in April, early onset of monsoon and GST transition uncertainties impacted primary sales in the months of May and June. During Q1, our room AC business grew by 7% in value terms. During the current quarter, the market did not register any growth. Our room air-conditioner business performance was an outcome of improved product penetration among the existing dealer/retailers coupled with better product range, aggressive sales promotion and widening of distribution footprint.

The market share in Q1 FY18 improved to 11.0% as against 10.6% during the same period last year. Margins however remained under pressure resulting from lower demand and increased competitive activities.

The Company continued to perform better in the high energy efficient products such as inverter ACs. With growing volumes in tier 3/4/5 markets, more customers prefer availing consumer finance schemes.

The over-all market for Commercial Refrigeration products experienced a slow down due to GST implementation. Blue Star grew faster than the industry during Q1 FY18. The growth was seen across all product lines. The quarter was good for storage water coolers and bottled water dispensers on the back of healthy demand from educational institutions and offices. Modular cold room business too saw increased traction with major contribution from dairy, ice creams and pharmaceutical segments. Our new lines of business 'Kitchen Refrigeration' and 'Medical Refrigeration' witnessed good acceptance in the market with increase in secondary sales.

Blue Star continued to strengthen its product offerings catering to the needs of constantly growing dairy, QSR, ice cream and frozen food segment. Blue Star continued to be a dominant player in the modular cold room business.

Our Water Purifier business got off to a good start during the quarter. The products have been well received in the market and overall business outlook remain positive. Blue Star launched new product 'Pristina' which is an UV purifier, suitable for markets having fresh water. The over-all product portfolio is now exhaustive and covers most of our target customer segments. Blue Star Water Purifiers are now available in 100 towns with over 400 channel partners and 1500 retail points. Plans are on anvil to increase the distribution network further in FY18. Investments in brand building continued with advertisement campaigns across various TV, print and digital channels, the campaign received great visibility.

Moving to Segment III – Professional Electronics and Industrial Systems, billing of this segment grew by 44% in Q1 FY18 to Rs 50.10 Cr from Rs 34.78 Cr in Q1 FY17. Growth in billing was driven by few large surveillance projects billed during the year. Segment result grew to Rs 6.17 Cr (12.32%) in Q1 FY18 as compared with Rs 5.00 Cr (14.36%) during the same period last year. The margin in this segment was lower due to increased competition and changes in service and product mix.

Before opening the floor for your question, I will talk about our GST transition.

Overall, procedural transition of GST for Blue Star was in line with our plans. Roll out of GST from Jul 1st impacted growth of the products business during the quarter. Recovery of demand is expected by the festival season and so Q2 FY18 is expected to be a challenging quarter. The Company is confident of regaining its growth momentum by the second half of this year. Overall, we expect a positive impact of GST transition for the Company.

In conclusion, the electro mechanical projects business is showing some signs of revival with demand from Government-funded infrastructure projects. The unitary products segment continues to be the growth driver of the Company mainly driven by the room air conditioner business, and with the addition of new consumer business lines such as water purifiers, air purifiers and air coolers, the prospects of this business continue to look promising.

The Company intends to continue to make investments in manufacturing, marketing, brand building, product development as well as human resources in the next few quarters in order to capitalize on the imminent growth opportunities.

With that, Ladies and Gentlemen, I am done with my opening remarks. I would like to now pass it back to the moderator who will open up the floor to questions. I will try and answer as many questions as I can, to the extent I am unable to, we will get back to you via emails. With that, we are now open for questions.

Moderator: Thank you very much. Ladies and Gentlemen, we will now begin the question and answer session. The first question is from the line of Nitin Arora from Aviva Life. Please go ahead.

Nitin Arora: Neeraj, just one clarification before I ask my question, you said that the company grew by 7% in value terms in room AC versus market growth of 0%?

Neeraj Basur: Yes, that is correct.

Nitin Arora: Can you share the same number for the VRF, what was the market growth versus us?

Neeraj Basur: As far as the VRF is concerned, in Q1FY18, we have grown by 24% and market grew by about 15%.

Nitin Arora: We have spent on the Water Purifiers, last year we spent about Rs. 30 crores in terms of building our channel distribution and ad spends. How should we look at it now? If you can share the spends on this during Q1FY18 and if possible, I do not need an exact numbers, how much of it contributed to our cooling products? Also, how should we look at the capital employed going forward now? Will it follow the same run rate? If you can share the exact amount so that we can build in that number?

Neeraj Basur: Nitin, as far as your first question is concerned on Water Purifiers, we had indicated at the close of last quarter that in FY18 whatever investment we continue to make on it, the impact on margins for the Unitary Product segment would be in the range of 1% to 1.5% viz. 100 basis points to 150 basis points. In the current quarter, roughly 125 to 130 basis points is the impact because of the investments. You would have also observed that we have been quite aggressive on marketing and media spend for our Water Purifiers and we expect the same to continue for the rest of the year to firmly establish ourselves.

As far as your second question on invested capital in the business is concerned, to the extent we need to really add more capital to the business, it is necessarily based on the volume growth that we are experiencing. Otherwise, our endeavor is to keep improving our efficiency of invested capital and release as much as possible to fund growth within the existing segments. Hence we do not expect capital employed to go up disproportionately for the rest of the year. Any further increase, to the extent required, will be aligned with the business scale growth.

Nitin Arora: Rs. 106 crores capital employed at the end of last quarter going up to Rs. 166 crore in this quarter, so the incremental increase was Rs. 60 crores. So wanted to understand the unallocable part.

Neeraj Basur: My comment was more in the context of the capital that we invested in the operating segments, Segment-1, 2, and 3. The value that you see over there as far as the unallocable corporate assets are actually items like deferred tax assets and the advance taxes that we pay, that is one element that is not really the operating capital.

The second element, we have been grouping in that line is our short-term working capital loans. As you would have observed from my earlier remark, we have completely paid down our short-term working capital debt. So to that extent, we did have some short-term loans in first quarter last year which is no longer there this quarter. Hence there is an optical increase over there.

Nitin Arora: Till FY17, we would have spent Rs. 30 crores on Water Purifiers and additional would be Rs. 4 - 5 crores this quarter?

Neeraj Basur: As of now we have not quantified the exact amount that we intend to spend in the next three quarters. But broadly, the indication that we will end up in terms of margin impact, 100 to 150 basis points, for the full year for the segment still stays.

Nitin Arora: Last question Neeraj, with respect to the demand side. You already spoke on that and Q2 could be another weak quarter partly because of GST and plus the lead season. Hence how do you look at the demand from the primary given that this time some of the festivals are also early? Also how you are seeing the inverters performing now because what we read every day is LG/Samsung has transformed the inverters in India? If you can share little bit on that.

Neeraj Basur: In fact I guess all of us were caught a bit unaware in the month of May and no one anticipated that the trade and the channel will react the way they reacted to GST transition which people realized is going to finally happen from first of July. So it was earlier than probably what most of us anticipated and hence there was an element of destocking that took place starting middle to end of May till the end of June. So as far as the primary market trade is concerned, it is taking its own time to settle down and adjust to the GST environment and accordingly we feel that while June stopped for sure, July has been slow. We do see some signs of pickup happen in August. Our own sense is by the time we hit the festival season, Onam festival season in September period, some normalcy will return. Having said that, we think that H2FY18 should stabilize and we should come back on track as far as the overall full-year sales are concerned.

As far as your question on inverters is concerned, the inverter sales have indeed picked up in the last few quarters and this quarter was no exception. As far as our own inverter experience was concerned, we would have grown by around 20% or so while overall market share of inverters grew to around 25%. If you look this in the context of high-efficiency machines, where we include inverters and five-star rated ACs, broadly we had our overall sales of such high-efficiency machines at 40% and market was slightly lower than that. Broadly, our emphasis on higher efficiency and inverter machine continues.

Moderator: Thank you. We have the next question from the line of Ankur Sharma from Motilal Oswal Securities. Please go ahead.

Ankur Sharma: Just continuing with the earlier question on inverters, looking at a slightly longer time period, the rating convergence from January '18 for fixed and inverters. How well Blue Star is: a) prepared in terms of our orders; b) what kind of price hikes could possibly come through? Typically these are two rating upgrade which happened with the rating changes, and c) do you believe that this share of inverters could actually increase disproportionately starting January '18?

Neeraj Basur: Let me try and answer the last question first. The share of inverter ACs, currently at about 25%, is increasing which is a healthy sign. Over the medium term, we think it can go up anywhere to 35% to 40%, over next couple of years.

As far as your question on the rating table changes from January 2018, we are prepared for it. As you must be aware, our core focus remains on inverters and high-efficiency machines. What is going to happen in reality is that the current five-star rated machine will be relabeled as a three-star rated machine. In that segment, we are very well represented through our existing product range. Our inverter is very well accepted, so we do not see a concern there. Probably over a period of time, new configuration of the five-star rated machines will be launched post January 2018. For that, we have some time. In the immediate term, we do not face any concern in terms of supplying relevant products to the market which will meet the needs and requirements of the secondary market. Hence to that extent we remain very confident.

Ankur Sharma: Sir, do you think that there could be significant price hike? As you rightly said that there will be two-star rating upgrade. Also, will there be some demand slowdown kind of a situation?

Neeraj Basur: Optically, the price will indeed go up because the current five star rated machines will get labeled as a three-star rated machine. For the customer, there will be a perception that a three-rated machine post January '18 is now priced higher. But in reality, they will be getting a much more efficient product for that price point. It will take a little while for prices to settle down post the change. I would say, Q4 and that is the time I guess we will get to understand the exact appetite for various product segments.

Ankur Sharma: Sir, on the current quarter, I think you were talking about some RM impact on margin. If you kind of combine that with the fact that there has been some increase in the effective tax rate post GST coming through on the room air con side, have we and the industry players tried to take price hike to offset both the RM increase and the slight increase due to GST or is that something which is not happening given the high competition in the market?

Neeraj Basur: As far as the commodity prices are concerned, indeed there has been an upward pressure and as I mentioned we have been absorbing the impact of that upward pressure on the margins. Fortunately, Rupee and Dollar exchange rate has been favorable and to some extent we have got some cushion in terms of rupee getting stronger in the last few months. But by and large, there is an upward bias as far as the commodity prices are concerned, that is one part.

The other part that you asked was about GST impact on prices. The GST rate is 28% and our overall sense is that the implications of price and cost post-GST will be neutral. We do not expect any price increase to be necessitated because of the GST rate. You are aware the application of GST rate versus the calculation of taxes on the erstwhile earlier excise duty uses two different bases. So when you do a value calculation, it is more neutral than positive or negative.

Moderator: Thank you. We have the next question from the line of Renjith Sivaram from ICICI Securities. Please go ahead.

Renjith Sivaram: Sir, just wanted to know what is the likely price increase of a three star post this rating change?

Neeraj Basur: Renjith it is too early for us to even assess any of that because like I said we first need to fully settle down post GST. When I say we, what I mean is the entire supply chain. I guess once that gets done, the decisions and visibility of how our pricing will work post January '18 will get established sometime in middle of Q3 and not before that because our immediate priority is to settle down the trade on the post-GST aspects.

Renjith Sivaram: Sir, can we see any pre-buying before table change? Generally we have seen that trend when the rating change happens. Is it fair to assume that Q3 will be higher growth given the pricing leading to lot of pre-buying?

Neeraj Basur: Yes, you are right. In the past, whenever rating changes have happened, there has been some early buying. If those are the kinds to go by, something of that sort may happen in Q3. But we will have to just wait. Right now we are not factoring in any of that in our own estimations.

Renjith Sivaram: Sir, your Unitary Cooling Products grew by 13% while room AC grew by 7%. So was the incremental growth driven by Water Purifiers?

Neeraj Basur: No, I mentioned short while ago that the VRF and the other commercial products, that we have, have also registered some healthy growth in the quarter.

Renjith Sivaram: Water Purifier, what is the likely revenue which we are targeting this year?

Neeraj Basur: It is a very small base as of now and we are not separately sharing the Water Purifier breakup. In fact we are reporting it at a segment level. So that has not made a major impact on our segment results or segment revenue.

Renjith Sivaram: It was largely driven by VRF and our Commercial Refrigeration?

Neeraj Basur: That is right.

Renjith Sivaram: Sir, in the project business, we have seen very good execution. You had mentioned in your notes that it was driven by GST. But how do you see the same for overall full year? What kind of growth and margins are you looking at for this segment?

Neeraj Basur: Segment-1, in the June we did see acceleration of work happen again in anticipation of GST because everyone wanted to make sure that whatever material that customers wanted, customers were asking for acceleration of supplies etc. So that has been quite helpful to that extent. On an overall basis for the full year, we expect this to settle down back into the normal trajectory and through the year we expect a growth of close to about 15% or so as compared to last year. That is an overall trajectory that we seem to be maintaining in Q2 as well.

Renjith Sivaram: In the margins?

Neeraj Basur: Overall margins for the segment, we do expect 4.5% to 5% to get delivered for the full year. Q1 we are a shade below 4, but we expect this to come back to around 4.5 to 5 for the full year.

Renjith Sivaram: What will be the likely order intake which we will be looking for the full year?

Neeraj Basur: On a year-on-year basis, we do expect our order book to grow by about in the range of 20% to 25% as compared to last year, which will help us deliver a 15% odd billing growth on a full-year basis.

Moderator: Thank you. We have the next question from the line of Varun Agarwal from BOI Axa Mutual Fund. Please go ahead.

Varun Agarwal: Sir, couple of questions. You mentioned that on GST front, we have stabilized now. So just wanted to understand can we expect some benefit from GST in terms of cost base like logistic cost or any other costs?

Neeraj Basur: We are still stabilizing I would say and Q2; the remaining 45 days so, will be spent coming back on track as far as possible across all the segments. You are right that once we settle down and stabilize there will be some efficiency and saving potential possibilities particularly on logistics, maybe even warehousing. We have not yet quite firmed up our strategic plans there but we are aware that obviously to the extent we can optimize, we will optimize the entire supply chain network and that probably on a full year basis will yield us some upside, to the extent that it will next year. Maybe the work can start this year, but the impact probably will be felt and experienced next year.

Varun Agarwal: Sir, can you quantify any percentage or are we still working on it?

Neeraj Basur: We are still evaluating. There are many other elements which need to be kept in mind including the product supply, timeline, and the tax which are agreed with the distribution channel. So all of that is being currently evaluated and we will take an appropriate action on those areas soon.

Varun Agarwal: Sir, second question on your export plans. You mentioned that you are looking at exports as the focus area. So does it require any investment in terms of manufacturing setup or any kind of setup? Second thing, we also have one JV. So are we looking to go through a direct route or JV route?

Neeraj Basur: As far as our exports are concerned, we don't have to invest any further money as far as capacity is concerned because at our existing factories we do have capacity and ability to expand further to cater to the growing export requirement for at least next couple of years. We can manage that and we do not see a challenge there. Just to remind you, not all our exports sale is fully manufactured. It is a mix of what we manufacture ourselves and what we trade. So we have the ability to scale it up without necessarily spending CAPEX.

As far as our joint-ventures are concerned, we have three of them, one each in Qatar, Malaysia, and Oman. Similarly, we are catering to the MEP projects outside India. None of these JVs get in to product distribution. That is done directly by the company dealers and distributors across multiple countries.

Varun Agarwal: Sir, can you quantify as to how much exports contribute to our sales in product segment?

Neeraj Basur: Our overall exports on an annualized basis are about Rs. 250 crores.

Moderator: Thank you. We have the next question from the line of Karan Rathod from B&K Securities. Please go ahead.

Karan Rathod: I wanted you to help me with the order book of EMPS, order inflow and order book. I kind of missed it.

Neeraj Basur: We had a carry forward order book of Rs. 1972 crores as of June 30, 2017, as compared to Rs. 1724 crores as of June 30, 2016. Our order inflow in Q1FY18 was Rs. 754 crores in Segment-1 as compared with Rs. 586 crores in Quarter-1 last year, which was a growth of 29%.

Karan Rathod: Sir, secondly you mentioned that in inverters you grew by 20% versus market growing at 25%, am I correct in hearing that?

Neeraj Basur: Yes, that is right.

Karan Rathod: Sir, what is the major reason that we could not match up the growth of the market?

Neeraj Basur: Well, I also mentioned that the way we look at our overall high energy efficient machines, inverters and five-star rated machines, together. So if we look at that particular classification, our overall sales had about 40% of our sales from inverters and five-stars which is pretty much in line with the market growth. We have always focused on these two sub-segments when we talk about the high-efficiency machines.

Karan Rathod: Sir, when you mentioned 40% contribution that is five-star and inverters high-efficiency ACs?

Neeraj Basur: Exactly.

Karan Rathod: Sir, lastly just one more thing, pre-GST you mentioned that since Q1 had a lot of that hangover, we grew by 7% in value terms. What could be our probable number in volume terms?

Neeraj Basur: We have not shared the volume and value breakup. We always report this number in value terms.

Moderator: Thank you. We have the next question from the line of Amber Singhania from Asian Market Securities. Please go ahead.

Amber Singhania: Just wanted to get some idea about market share movement for the top players and what kind of gain are we seeing in our market share because of LG moving out from the fix speed ACs? How much of this is because of the inverters roughly, if you can give some idea on that part?

Neeraj Basur: I mentioned about this, our market share in Q1 was 11% as against 10.5% last year. For the year as a whole, we expect our market share to remain in the range of 12% to 12.5%.

Now as far as the impact of LG is concerned, we do not see too much of an impact for us because our core focus has been largely on high-efficiency machines whereas that particular segment caters to 3-star rated products, so as far as our own impact is concerned, we actually have been benefited in a way because LG's move probably would have helped spread some awareness on the inverters and it is evident that inverters has also been growing across various players.

Amber Singhania: Secondly, can you give some idea about the market share within the inverter segment?

Neeraj Basur: I am not sure whether we have access to that information on a credible basis.

Amber Singhania: What is the status of our CAPEX plan on Jammu and SriCity? Have we taken any decision on that front? What are the timelines which we are looking at? And finally, what kind of CAPEX numbers we are looking for FY18 and FY19 on that?

Neeraj Basur: As you are aware, last year we had acquired land at both these places. We were awaiting clarity on GST implications as far as Jammu is concerned. Some clarifications have been released by DIPP about a month ago on the quantum of GST incentives which will be available in the state of Jammu and Kashmir. Hence there is some clarity now. We need to do our evaluation of the plans in light of those clarifications and then we will take a call and decide on the quantum favoring as well as the overall timelines as far as this particular expansion is concerned. Once we have decided our roadmap as far as Jammu is concerned, our actions on SriCity will be taken up. So till such time, we will just hold on to any CAPEX commitments.

Amber Singhania: What is your sense on growth because of GST? Has industry lost some portion of growth in these two months? On the full year basis, what is your assessment on the growth of the industry and growth for Blue Star?

Neeraj Basur: We expect things to stabilize in the next few weeks or couple of months, and hopefully, by the time we get into the festival season towards September and October, we do expect normalcy to get restored because fundamentally nothing has changed as far as the consumer demand is concerned. Consumer demand remains strong and it is only the entire legislative transition which is taking its toll. For the full year, our expectation is that growth should come back and industry should grow somewhere around 10% while Blue Star should be able to manage growth of around 15% as far as our room ACs segment is concerned.

Amber Singhania: One more thing, during the last con call you mentioned that we are trying to allocate unallocated expenditure towards various heads. Has that been done now?

Neeraj Basur: Yes, I did mention that in the opening remarks. We used to have certain common brand-related expenses and certain common marketing trend, if you recollect, not identifying to the respective segments. We have now worked out a mechanism to identify those spends to the respective reportable segments and they have been allocated starting this quarter. To make it comparable, the quarter numbers that you see on the results have been also restated to give you a comparative picture.

Moderator: Thank you. We have the next question from the line of Kunal Jagada from KR Choksey. Please go ahead.

Kunal Jagada: Sir, can you give me the segment wise breakup of carry forward order book?

Neeraj Basur: This is one data point which we share at the end of Q4 every year. If you refer to our Q4FY17, in proportionate terms, it could not have changed much. You may just use the same broad percentage proportions.

Kunal Jagada: Sir, the inflow, I just want to confirm is Rs. 750 crores for this quarter?

Neeraj Basur: Yes.

Kunal Jagada: Which is this Rs. 586 crores last quarter?

Neeraj Basur: That is for Segment-1.

Moderator: Thank you. Ladies and Gentlemen, as there are no further questions from the participants, I now hand the conference over to Mr. Neeraj Basur for closing comments. Thank you and over to you, Sir.

Neeraj Basur: Thank you very much. Ladies and Gentlemen, with this we conclude this quarter’s earnings call. Do feel free to revert to us in case any of your questions were not fully answered and we will be happy to provide you additional details by email or in person. Thank you very much.

Moderator: Thank you very much. Ladies and Gentlemen, on behalf of Blue Star Ltd., that concludes this conference. Thank you for joining us and you may now disconnect your lines.